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1. Under the Japanese administration Dairen became an important industrial city with a population of a million, of whom half were industrial workers. The Kan Ching Tzu area across Dairen bay from the city proper was built up with industrial plants, including several oil installations, a chemical works, a factory producing soda ash and caustic soda, a ceramics plant and coal storage depots. In the city proper were a number of other industrial plants, including the South Manchurian Railway shops, Suzuki's metal works, and the Dairen Kikai (Dairen Mechanical Works).

2. When the Soviet forces occupied Dairen following the Japanese surrender in August 1945, everyone in Dairen, the Soviet forces and Japanese and Chinese residents, all expected the US to move into the area. The date for this was usually put at 1 Dec 45. Therefore the Soviet authorities at once commenced a selective dismantling of the industrial installations. The machinery and equipment which they removed was shipped to the USSR largely by "lend-lease" ships.

3. Soviet attention was directed principally to the equipment of heavy industrial plants. they removed 70% of the equipment of such plants. However they did not disturb the railway work shops, the port installations or the Dairen dock. From one large coal yard they removed the machinery for operating an overhead bridge crane but left the crane. From the chemical plant they removed all electrical equipment but left other equipment which quickly deteriorated. From the Dairen Mechanical Works they removed the heavy machinery but not the light. They took half of the equipment, including half of the boilers, from the municipal power station in the city and much of the equipment from the power stations in Kan Ching Tzu.

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4. However they did not touch the Suzuki metal works. Suzuki was a local Japanese and a good businessman who saw no reason to employ expensive engineers when he could get White Russian technical men cheap. Hence his

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works were staffed largely by Russians. A former White Russian officer named AA Ganshin was in charge. Ganshin is not a graduate engineer. but is a competent practical engineer having learned machine shop work and electrowelding the hard way as an ordinary workman. He is also a good executive. Under Ganshin were several qualified Russian engineers. When the Soviet troops moved into Dairen, Suzuki was absent in Japan and the management appeared to the Soviets to be Russian. Ganshin did nothing to disturb this belief and in fact persuaded the Soviet military to supply a guard to protect the works. In return Ganshin did repair work for the Soviet military on their transport, which was in bad condition. He made no profits in the work but at least was able to pay his staff and keep it intact.

5. Added to the stripping of plants by the Soviet authorities, there was extensive looting of them by Chinese. There are many small machine shops owned by Chinese in the Chinese section of Dairen and these small concerns were not disturbed by the Soviet authorities. After the looting of the large ex-Japanese plants much of the looted machinery turned up in the small Chinese machine shops.

6. As soon as it became apparent that the US was not moving into Dairen, the Soviet administration commenced rehabilitating the economy of the city. The Soviets had available a group of well qualified economists. The chief of this group was a colonel and a graduate of Kiev University. His education was superior to that of most of his colleagues because he was old enough to have received part of it in Czarist schools before the revolution. Another member of the group was a professor of the Moscow Technical Institute. Under the guidance of this group the Soviet administration organized several industrial combinations ("treste") each to take over the operation of a group of installations. The authorities collected workers to staff the operations and provided working funds. Somewhat later the Dalbank /USSR Far Eastern Bank/ opened a branch in Dairen, and subsequently several Chinese banks opened branches.

7. The first trest organized was Dalenergo, the Dalny electric complex. Dalenergo was based on the city and Kan Ching Tzu power plants, with a total capacity of 20/25 thousand kilowatts. Incorporated into Dalenergo were:

   (a) The "Union" machine shop which produced drills and other light machine tools, small castings and aluminum pistons and engine parts for cars and trucks.

   (b) The Dairen Mechanical Works renamed Factory 17, discussed in more detail below.

   (c) An electric light bulb factory.

   (d) A shop for producing small motors and parts for electrical machinery. It also did radio repair work.

   (e) The cement plant some 10 miles from the city.

   (f) Later the soda factory in Kan Ching Tzu was added.

8. Dalenergo was a mixed Soviet-Chinese organization. Supervisory control so far as the Chinese were concerned was exercised by the Northeastern /ie Manchurian/ government in Mukden and not by the Dairen city government. The first draft of the statutes of Dalenergo was made by a Soviet lawyer on the staff of the Dalbank.

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(i) The carpentry shop and saw mill produced wooden materials for use in Factory 17 and barrack's furniture and fittings for the military. The shop was fully mechanized although the machinery was old.

(j) The cold pressing shop did cold pressing and bending work, galvanizing and zinc plating. For a time it turned out light bulb sockets made from old cans and zinc plated. Subsequently this work was transferred to the light bulb factory, which incidentally exported bulbs to the USSR. Part of the presses from the cold pressing shop were transferred to a shop in Mukden manufacturing cartridge cases. The cold pressing shop also did a variety of small jobs to order, for example producing tire chains. If the shop did not have the appropriate machines for work commissioned, the men were adept at improvising.

(k) The assembly shop.

(l) The laboratory was used chiefly for testing materials. Part of Factory 17's metal supplies came from Komsomolsk and part from Anshan. There were also old supplies from Dairen Kikai and Suzuki stocks. The USSR materials all bore identifying numbers denoting the composition and grade of the metal and factory inspection stamps. The identifying numbers were keyed to a handbook which set out the characteristics of such material, the uses to which it could be put, possible substitutions, and uses for which it was not suitable. The factory inspection stamps were thoroughly reliable. USSR metal production is well standardized, more so than European production. Orders received from Soviet principals usually specified USSR metal by identifying number. In such cases the factory relied on the identifying number and the inspection stamp and the laboratory had no need to test the material. However if Chinese steel from Anshan, or steel from old Dairen Kikai or Suzuki stocks was to be used, the laboratory had to test it for quality and characteristics. A large part of the materials used in Factory 17 was imported from the USSR. Apart from questions of quality, the Anshan mills could not produce sheets of under 6 mm thickness and their lightest angle irons were 75 mm x 75 mm.. Further, Anshan could not produce good quality welding wire. The factory had to import it also from the USSR. The same was true of pig iron for mild steel. When Anshan products were used, they were often defective.

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